

1 The rate of return (ROR) for these three years was 1.97 percent, 0.97 percent, and -0.68
2 percent, respectively. For 2010, a rate of return of -1.01 percent was estimated in the MWW
3 Estimated Operating Income Statement for the requested rate increase test year. This was
4 subsequently amended to -1.14 percent by Public Service Commission of Wisconsin (PSCW)
5 staff. The PSCW benchmark for rate of return for a municipally owned utility was 7.4 percent at
6 the time the application for a rate increase was filed. (The benchmark rate of return was
7 reduced to 6.3 percent in March 2010.) Exhibit 1.1 shows the MWW rate of return in recent
8 years.

9 On the revenue side, metered water sales continue to decline. Even with the addition
10 of four new wholesale customers since 1997, overall metered consumption has declined from
11 41.4 billion gallons in 1997 to 33.3 billion in 2009. And this is down from 58.4 billion in 1976.
12 (See Exhibit 1.2.) The greatest decrease is in the industrial customer class (down 81 percent
13 from 1976 to 2009, with 16.3 billion fewer gallons sold). Metered sales to commercial
14 customers have been relatively stable during this time period. The residential customer class is
15 down 41 percent between 1976 and 2009, representing 8.0 fewer billion gallons sold to this
16 customer class. Since the beginning of the decade, industrial metered sales are down 54
17 percent (4.5 billion gallon reduction) and residential metered sales are down 16 percent (2.2
18 billion gallon reduction). Commercial metered sales have remained relatively constant.

19 Results for the first quarter of 2010 show a continuing decline in water use, with
20 metered sales down 3.7 percent compared to the same time period in 2009.

21 Meanwhile, significant cost increases have impacted the utility. Examples of cost
22 increases include:
23